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DOMINION STORES LIMITED · ANNUAL REPORT 1980







As we pass through the Anniversary of our serving the food consumer for six decades, we continue to realize the great opportunities and challenges ahead to meet the changing needs and demands of that consumer. There is no assurance of permanency in food retailing. However, if there is one thing that your Company has learned in its long and eventful history, it is the need to remain consistent with

the requirements of the multitude of individual communities and consumers it serves. We are proud of our leadership position, but constantly aware of the food consumer's best interests.

Our greatest asset and the means whereby your Company has remained in its premier position for so many years is the dedication and contribution of its employees. Dominion's future depends on the quality of the foundation that has been built and that foundation is people. The 1980's will be a record of the achievement of a team. Dominion is fortunate to begin this new decade with a Board of Directors, Management and Staff which uniquely combines youth, energy, imagination and positive experience.

Both our Board of Directors and Corporate Officers have an average age of just over 50 years; the former representing a broad geographic distribution in the markets in which we operate, as well as the community at large; the latter providing, on average, 25 years direct experience in their own lines of responsibility.

Our Key Management personnel number an additional 900 with an average age of 40 and 15 years' experience ranging from Store Manager through to the higher levels of Management. Similarly their broad spectrum of experience within the 200 different job classifications of the Company has been a major contribution to our progress and in their own personal development.

We will continue to merit the recognition by the consumers of our ability to serve them through the consistency of our evaluation of their needs and the aggressive application to meet their requirements. To this end, we are dedicated and in so doing the opportunities for advancement of our people are boundless. Through them and their ability, we will continue to meet the challenges presented in the 80's.

A handwritten signature in black ink, appearing to read "Thomas G. Bolton".

Thomas G. Bolton
Deputy Chairman and Chief Executive Officer



I would like to emphasize in this, my first Annual Report as President, that the loyalty, dedication and efficiency of Dominion's 26,000 full and part-time employees has, in no small part, been responsible for yet another successful year-end financial report. The fiscal year ended in March, 1980 was one of record sales totalling \$2.6 billion. These are impressive figures when one considers the increasingly competitive

atmosphere in which we work.

It is with great pride that we present in this year's Annual Report a pictorial essay devoted to our employees at every level. Whether you are serving our customers at the retail level or working behind the scenes, you, our employees, play a key role in maintaining Dominion's leadership as Canada's largest retail food distributor.

Our message that there's a "Definite Difference" at Dominion is reaching millions of Canadians. What we have been telling the consumer is that our foods are of the highest quality and sold at the most economical prices possible; that our 377 stores from Saskatchewan to Newfoundland are bright and cheerful; and that our employees who operate them are serving our customers in a friendly and efficient manner.

That "Definite Difference" exists because you, the employee, continue to show everyday evidence of dedication to the aims of your Company and to serving well the consuming public in the 160 communities in which Dominion operates.

To train personnel for a better future, Dominion supports and subsidizes seminars, conferences, workshops, and college and university courses for employees, in addition to operating our Careers Centre. These programmes are designed to provide individual opportunities for personal advancement as well as providing your Company with a reservoir of highly trained personnel for the future.

We will continue to respond to the ever-changing marketplace and with your continued loyalty and dedication combined with the support of our shareholders, suppliers and landlords we are dedicated to maintaining our growth and success record.

I wish to express my deepest appreciation to all of you for the support and enthusiasm you have shown throughout our 60th and most successful year.

A handwritten signature in black ink, appearing to read "Allen C. Jackson".

Allen C. Jackson
President and Chief Operating Officer

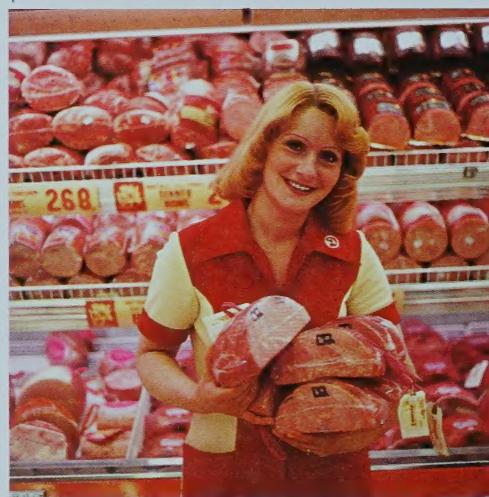
There's a "Definite Difference" at Dominion— thanks to 26,000 employees who help us maintain our leadership in retail food distribution.

It is not normally the style of Dominion Stores Limited to speak in superlatives—to utilize references such as the biggest, the best, the freshest and the finest—when we refer to our employees, our stores and our products. Perhaps our dedication to getting our jobs done well hasn't left a great deal of time for this type of obvious truism.

From time to time, however, it is therapeutic to blow your own horn. And when better than now, in the wake of Dominion's 60th anniversary year which was the most successful in the Company's history.

There are many superlatives that can be applied to the Company, its people and its products. And this annual report, which is dedicated graphically to Dominion's employees both on the front lines and behind the scenes, is perhaps the ideal forum for such an expression. Some superlatives:

- Sales in the fiscal year ended March 22, 1980 were highest ever, at \$2,663,857,000;
- Average annual sales per supermarket were the best ever, amounting to \$6,532,000 or \$125,600 per week;
- Our meat maintained its reputation as the finest, our fruits and vegetables as the freshest, our White Label products as the most economical and our service as the most courteous.



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1. It's agreed! A young shopper and the manager of our Meadowvale (Mississauga) store both feel that Dominion's grapes are delectable.

2. A warm welcome from the meat clerk at Dominion's Morningside (Toronto) store ensures that shoppers feel at home.

All of these superlatives were possible because Dominion Stores has more than 26,000 of the most dedicated, efficient and hard-working full and part-time employees. Without them, this growth just would not have taken place.

In the course of the year, the Company expanded its facilities in the seven provinces in which it operates—Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland. The total number of stores at fiscal year-end was 377, accounting for 7,600,000 square feet of floor space in the 160 communities they serve.

During the period, the Company opened 11 new stores, enlarged three and modernized 11 others. Canadian communities enjoying our recently-opened outlets are Windsor, London, Stoney Creek (Hamilton), Toronto, Orleans (Ottawa), Ontario; Gatineau, Quebec; Douglastown (Newcastle), New Brunswick; two stores in Halifax, Nova Scotia; and in Gander and Marystown, Newfoundland.

By now, shoppers in these cities and towns will have discovered—if they were not already aware—that there is a "Definite Difference" at Dominion. They will have found that our stores are bright, airy and a pleasure in which to shop; that our meats and produce are carefully selected, beautifully displayed and attractively priced; and, especially, that our store staff is always ready to offer assistance with a smile.

In order to maintain efficient supply of products to this expanding network, a new distribution centre was opened during the past year in Winnipeg and the existing Halifax Distribution Centre is currently being enlarged. The opening of the 136,000 square-foot facility in

3. The electronic checkout facility at the new Burlington store emphasizes Dominion's determination to keep pace with the newest technology.

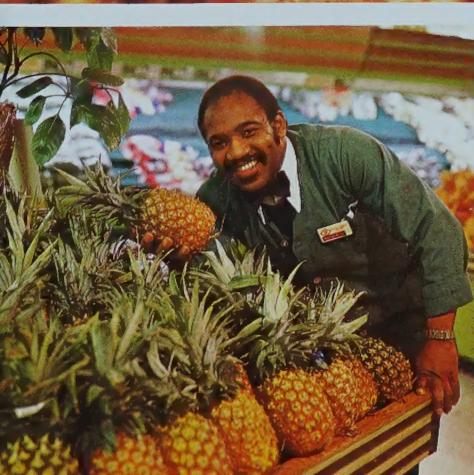
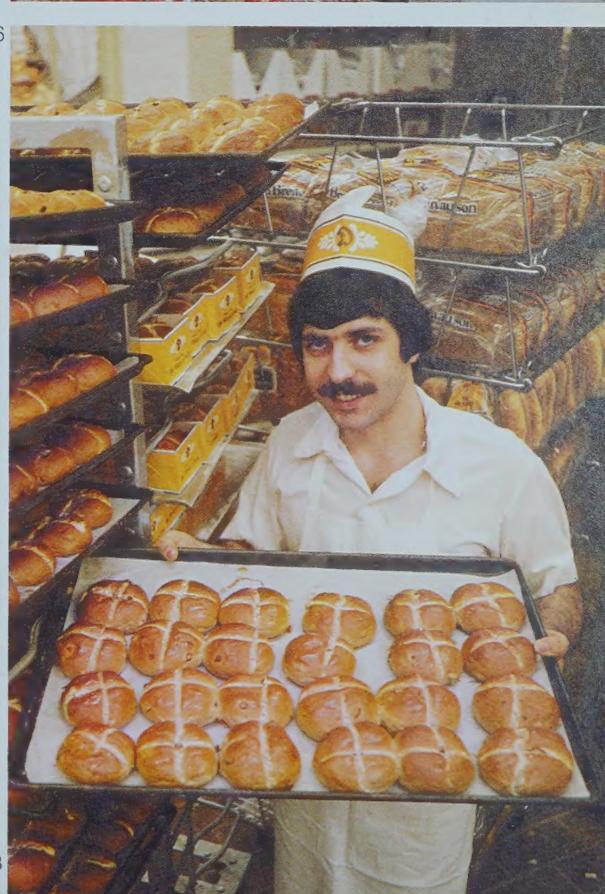
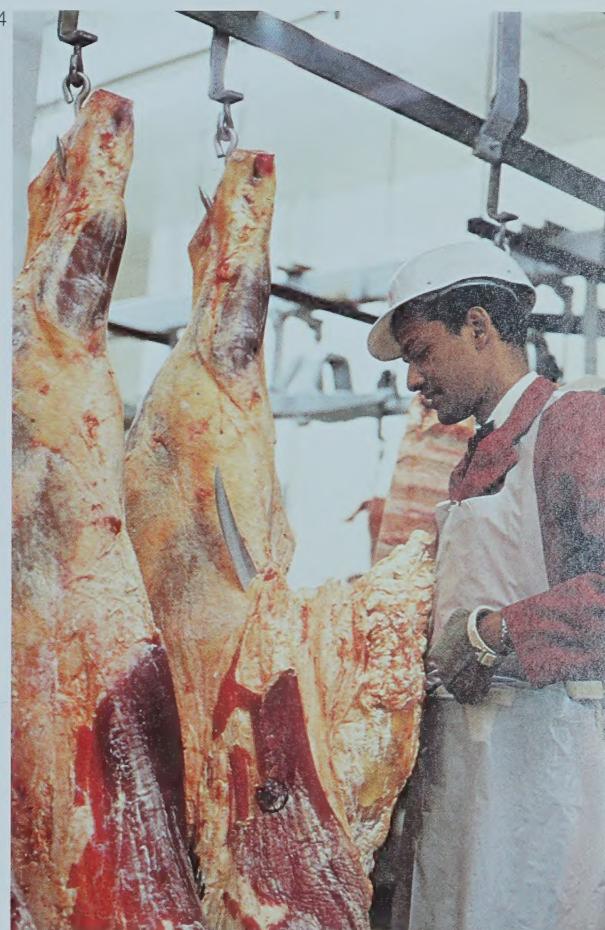
4. Once Dominion's renowned aging process is complete, skilled butchers cut and trim the beef to high standards of quality and value.

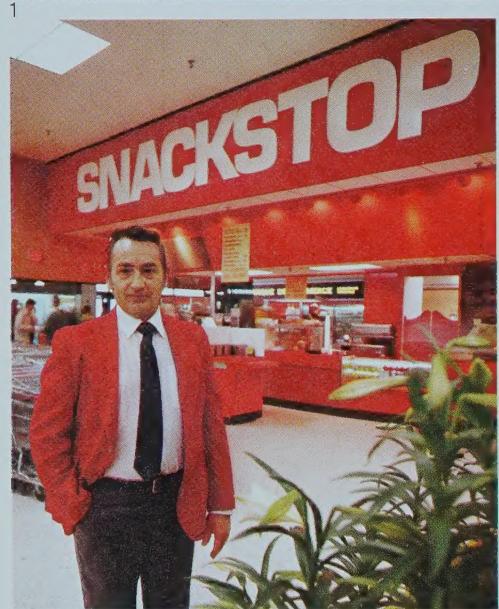
5. Variety, freshness and attractive display mark Dominion's Garden Sections.

6. These hot cross buns are indicative of the freshly-baked goods that keep Dominion customers coming back for more.

7. Mouth-watering produce from around the world, such as these attractively arranged pineapples, has given Dominion an envious reputation.

8. Electronic ordering helps Dominion's store staff restock shelves quickly and efficiently.





1. This customer bought a stuffed toy from Dominion's well-stocked non-foods section to go with the balloon her daughter received at the opening of the new Burlington store.

2. Fast food counters such as this Snackstop outlet in an Ottawa store provide a quick and convenient service for customers and staff alike at economical prices.

Winnipeg was an important milestone in the Company's expansion into the Western Canada market. It will serve as a centralized outlet for overnight deliveries to Northwestern Ontario, Manitoba and Saskatchewan stores. The Halifax Distribution Centre is being more than doubled in size from 95,000 square feet to 200,000 square feet and will greatly expand Dominion's distribution capabilities in Nova Scotia.

The Company's subsidiary operations also continued to progress. In the past fiscal year one Safeguard drug store was opened, along with four self-serve gasoline bars, seven Min-A-Mart convenience stores and five "limited line" stores.

Dominion's expansion in the past year has had beneficial results not only within the corporate structure, but outside too. The new store development programme provided employment and promotional opportunities for hundreds of Canadians, and the Company's overall growth generated substantial benefits to the Canadian economy. Last year, Dominion paid approximately \$56,000,000 in federal, provincial and municipal taxes.

Capital expenditures during the past year for stores, plants and offices amounted to almost \$50,000,000. It is estimated that during the current year, this figure will be equalled, providing substantial benefits to the country's economy.

3. Frozen foods play an increasingly larger part in shopper purchases at Dominion.

4. An employee's smile, along with courteous service, are "Definite Differences" at Dominion.

5. A Halifax-area meat manager oversees Dominion's highly-trained butchers as fresh meat is packaged for sale.



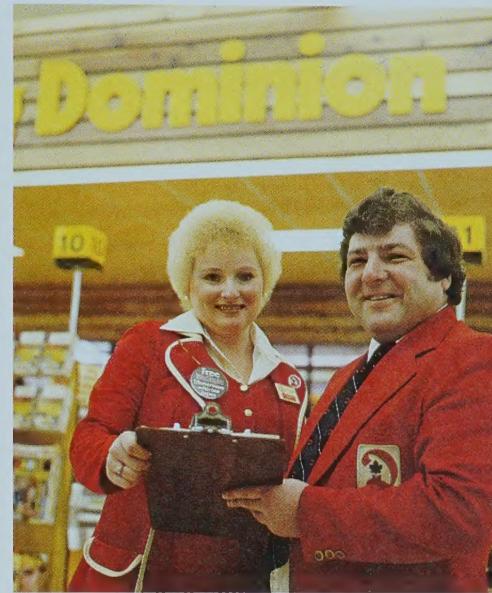
6. Freshly-cut flowers and potted plants are a happy addition to the regular fâre at Dominion.

7. An effective rapport at the management level helps things to run smoothly in 377 Dominion stores across the country.

8. A wide selection of fresh fish at the new Pier 19 counter, combined with a friendly smile, makes shopping at Dominion a pleasure.

9. Scrumptious birthday cakes are just one of the many delicious bakery products displayed in this Montreal store.

10. Dominion's shoppers enjoy quality, freshness and eye appeal in our produce displays.

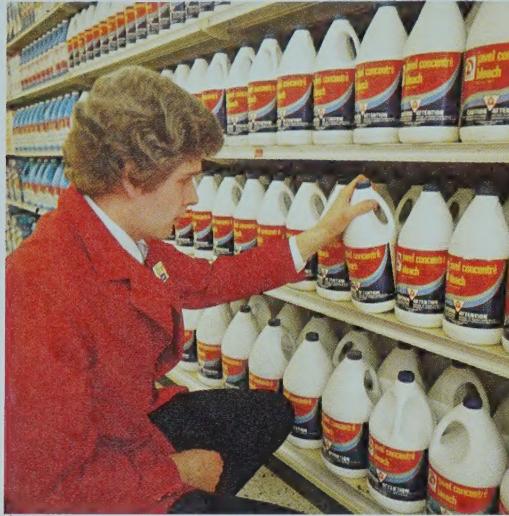


Further contributions to the national economy were generated by the \$379,000,000 paid to employees in salaries and benefits during the past fiscal year—and the tax dollars derived from these payments.

Ever since Dominion opened its first stores in 1919 we have looked upon ourselves as a truly Canadian enterprise. Over the years, governments have enjoyed an injection of tax dollars from the Company, employees have benefited from the job opportunities that expansion has created and Canadians generally have been provided with an ever-improving and convenient method of doing their food and grocery marketing.

Although the Company's growth and its ability to meet the needs of the consumer are impressive, it is not without a great deal of planning and insight that these objectives have been met. In Canada's current and continuing period of inflation, as an example, it is an enormous challenge to maintain the stated aim of the Company—"to fulfill with ever-increasing efficiency its responsibility as a distributor of food, thereby performing a satisfactory service to the consumer, producer, manufacturer and processor; to discharge its responsibility to shareholders whose investment makes the company possible, and to provide its employees with a satisfactory living under the best possible conditions."

1. A Halifax employee arranges Dominion's private label products for easy pick-up.
2. Employees in an Ottawa store price merchandise and stock shelves to ensure customers a complete selection of quality products.
3. First-quality meats, prepackaged and prepriced, offer a wide selection to Dominion shoppers.



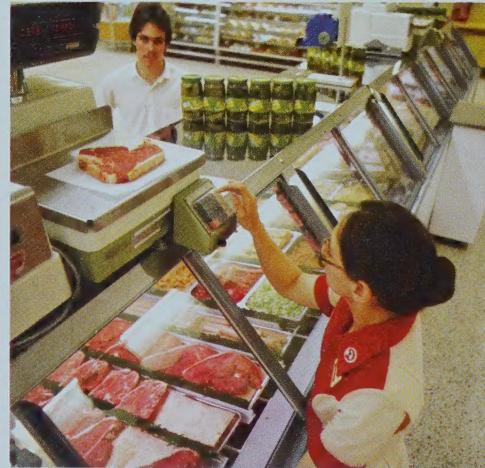
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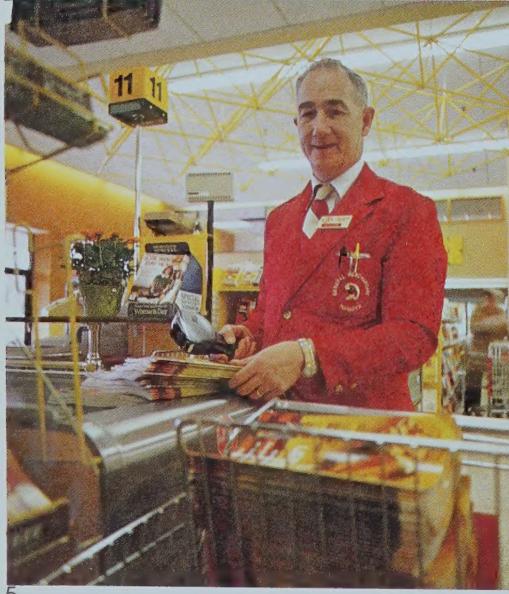
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4. Personal selection of preferred cuts is always available at Dominion meat counters.
5. A friendly welcome greets shoppers at Dominion.
6. Well-stocked frozen food counters offer the widest variety every day.

The inflationary spiral is perhaps the single subject that has weighed most heavily on the mind of the Canadian consumer in recent years. The purchasing power of the dollar continued to decline. This dilemma faces Canadians at the supermarket checkout counter and Dominion is proud of the efforts it has made and applied to keep food prices as low as possible.

Dominion is committed to help shoppers save money on weekly grocery bills. Low prices are offered on everyday shopping needs; even greater savings can be found by checking the prices on weekly specials; and our generic White Label products provide savings of up to 60 per cent when compared to some "name brand" items.

Concern for the customer's welfare and satisfaction has led Dominion in the past year to expand its services in the field of home economics and nutrition. Highly-qualified home economists are serving shoppers in selected stores. Their assignments cover many facets of consumer education and in the past year included addresses to many organizations and groups. In addition to their in-store duties, these experts assist the merchandising and operating divisions, as well as senior management, in identifying consumer perceptions of product use, quality, value and price.

It is evident that this dedication to the customer extends throughout our so-called "front line"—the meat manager who takes the time to explain the benefits of a particular cut, the clerk who points out the location of a particular product that has escaped a customer's eye, the store manager who accommodates a shopper's request for membership in the Number One Club, or the cashier who offers a pleasant "Have a nice day" as a customer leaves the store.



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Shareholders' Auditors

2	Coopers & Lybrand, Toronto
3	
4	Bankers
8	Bank of Montreal
13	Banque Nationale du Canada
14	Canadian Imperial Bank of Commerce
15	The Bank of Nova Scotia
16	The Royal Bank of Canada
	The Toronto-Dominion Bank
	First National Bank, Palm Beach

Transfer Agents

Crown Trust Company, Toronto, Montreal and Vancouver
Canada Permanent Trust Company, Halifax and Saint John
The Canadian Bank of Commerce Trust Company, New York

Registrars

Crown Trust Company, Toronto, Montreal and Vancouver
Canada Permanent Trust Company, Halifax and Saint John
The Canadian Bank of Commerce Trust Company, New York

The Annual Meeting of Shareholders will be held in the Canadian Room of the Royal York Hotel, 100 Front Street West, Toronto, on Thursday, the 26th day of June, 1980 at the hour of 11:00 a.m. (Toronto time).

Version française—On peut obtenir un exemplaire français du présent rapport annuel en s'adressant au secrétaire de la Compagnie, 605 Rogers Road, Toronto, Ontario M6M 1B9.

Comparative Highlights

	For the years ended	
	March 22, 1980 (53 Weeks)	March 17, 1979 (52 Weeks)
Net Earnings	\$ 27,281,159	\$ 24,076,688
per dollar of sales	1.02¢	1.00¢
per share of common stock	\$ 3.18	\$ 2.81
Sales	\$2,663,856,757	\$2,405,384,651
(An increase of \$258,472,106 or 10.75%)		
Dividends	\$ 9,418,855	\$ 7,865,853
per share of common stock	\$ 1.10	92¢
Working Capital	\$ 66,878,002	\$ 67,569,286
Ratio of Current Assets to Current Liabilities	1.41	1.46
Total Reinvested Earnings	\$ 156,212,986	\$ 138,350,674
Shareholders' Equity	\$ 178,291,426	\$ 160,317,090
Number of Stores at End of Year	377	376
Ground Floor Area— Retail (square feet)	7,638,345	7,409,543

Directors and Management

Directors

*G. MONTEGU BLACK
Chairman of the Board
and Chairman of the
Executive Committee

*THOMAS G. BOLTON
Deputy Chairman and
Chief Executive Officer
*Executive Committee

LEWIS H. M. AYRE
*CONRAD M. BLACK
†*DIXON S. CHANT
PIERRE P. DAIGLE

GLEN W. DAVIS
CLARENCE L. GOSSE, M.D.
*ALLEN C. JACKSON
W. JOHN McKEAG

†ANDRÉ MONAST, Q.C.
†BERYL A. PLUMPTRE
RONALD T. RILEY
†TRUMBULL WARREN

†Audit Committee

Honorary Directors

STEWART G. BENNETT

A. BRUCE MATTHEWS

THOMAS G. McCORMACK

GORDON A. SINCLAIR

Corporate Management

THOMAS G. BOLTON
Deputy Chairman and
Chief Executive Officer

ALLEN C. JACKSON
President and
Chief Operating Officer

JOHN A. PANDER
Senior Vice-President
Retail Operations

JOHN C. TOMA
Senior Vice-President
Marketing

A. WILLIAM TOMLIN
Senior Vice-President
Administration

ROGER E. ACTON
Vice-President
Merchandising

LARRY C. GEE
Vice-President
Distribution Services

ALLISTER M. MACDONALD
Vice-President
Real Estate and
Development

RAYMOND J. MENARD
Vice-President
Produce Merchandising

JOHN R. MORRISON
Vice-President
General Counsel and
Secretary

VLAD ROMANCHYCH
Vice-President
Company Brands

CHESTER H. WILCOX
Vice-President
Meat Merchandising

JAMES B. WILLIAMS
Vice-President
Corporate Planning

Regional Management

REAL BROUILLETTE
Vice-President, Quebec

JOHN N. CAMPBELL
Vice-President, Hamilton
and South Western Ontario

W. BARRY HAGAN
Vice-President
Western Canada

RONALD G. HYNE
Vice-President, North
Central and Eastern Ontario

JAMES A. MALCOLM
Vice-President
Toronto

GILBERT VIENNEAU
Vice-President
Atlantic Provinces

District Management

CARL F. ARMSWORTHY
Halifax, N.S.

DAVID A. CLARKE
St. John's, Nfld.

FERNAND A. DAVID
Montreal, Quebec

WILLIAM J. GIBB
Toronto, Ontario

FRANCOIS GIRARD
Montreal, Quebec

RAYMOND LUCYSHYN
Hamilton, Ontario

WAYNE A. LUEDTKE
Toronto, Ontario

FREDERICK R. MacGILLIVRAY
Saint John, N.B.

JOHN R. MOSSMAN
Windsor, Ontario

DAVID J. SLATER
Sudbury, Ontario

HARRY TAYLOR
Ottawa, Ontario

Special Management

DONALD H. BLAIR
Director of Labour Relations

PETER M. BOURKE
Director of Systems &
Computer Services

R. GORDON FRY
Director of Personnel

STANLEY P. GIBSON
Director of General Merchandise

VIZMA LEFRESNE
Director of Consumer Affairs

DAVID M. LUCIUK
Comptroller

JAMES A. MUNRO
Director of Real Estate

J. STEPHEN OWENS
Director of Advertising

WILLIAM D. ROBERTS
Director of Audit Services

Annual Report to Shareholders

The 60th Anniversary Year of your Company ended on March 22, 1980, concluding the most successful year in its history. Record sales of \$2,663,857,000 and net earnings of \$27,281,000 were achieved. All employees can take particular pride in these accomplishments, within the highly competitive industry conditions that prevailed throughout the year.

Few industries are as vulnerable to the effects of aggressive competition, week in and week out, as the supermarket industry. New stores, advertising and promotional appeals and techniques, price sensitivity, weekly specials and other merchandising approaches constantly are at work to influence the shopping public into shifting its shopping patterns. Constant attention to its belief that customers must be deserved on a week-to-week, or even day-to-day, basis enabled your Company to continue to merit its position as the leader in the retail food industry.

The rate of inflation continued at a high level and is perhaps the dominant concern in the minds of many Canadians to-day. This presents a challenge, of which your Management is ever aware, to effect operational improvements wherever possible and to exert every effort and pressure to keep food prices as low as possible, in the face of upward pressure on costs in almost every area of the Company's operations.

Your Company's greatest asset is the people who work for it and Dominion is fortunate in having able and dedicated staff at all levels of the organization.

Great emphasis is placed on the selection, training and development of employees. In last year's annual report we commented on the new Careers Employment and Training Centre opened in Toronto. Training programmes are designed to provide the trained personnel necessary to meet the needs of expansion as well as to fill opportunities provided by promotions and normal staff turnover.

Your Company encourages—and subsidizes—a great variety of extra-curricular activities, including university and college courses, seminars, conferences, store management workshops, night and correspondence courses, all aimed at helping the employee to develop with the Company.

On December 18, 1979 the federal government issued a news release stating that the mandatory implementation of the metric conversion of scales in the retail food sector, which had been scheduled for January 1, 1980, had been postponed for a minimum of one year. Pilot conversion projects had been in effect in Peterborough, Ontario and Sherbrooke, Quebec.

It now appears that conversion of retail scales to metric measures may proceed starting January 1, 1981. This represents a one year delay from the original plans.

Our energy management department is involved in a comprehensive programme of energy conservation. This involves

improved operating procedures, up-dated building specifications and electronic controls to monitor and conserve consumption. Computerized energy management systems have been installed in sixteen stores, and, in addition to energy savings, are contributing to improved store designs and operating practices. Lighting system modifications are being carried out and heat reclaimed from the compressors is being used to heat the sales area of the stores.

We are co-operating with various government and utility conservation research programmes and education and awareness in the controlled use of energy will continue to receive high priority.

A number of Union contracts expire in the first half of this current fiscal year. They cover almost 18,000 full and part-time employees in Western Canada, Ontario and the Atlantic Provinces. We expect that negotiations will be carried out in a spirit of mutual interest and that satisfactory settlements will be concluded.

New and proposed new accounting and reporting recommendations will affect the way in which your Company's financial statements are prepared and presented. Capitalization of certain leases entered into from March 17, 1979 is now required by the Canadian Institute of Chartered Accountants. This will affect leases where all or most of the rights and obligations of ownership rests with the lessee. The financial statements and the notes to the financial statements cov-

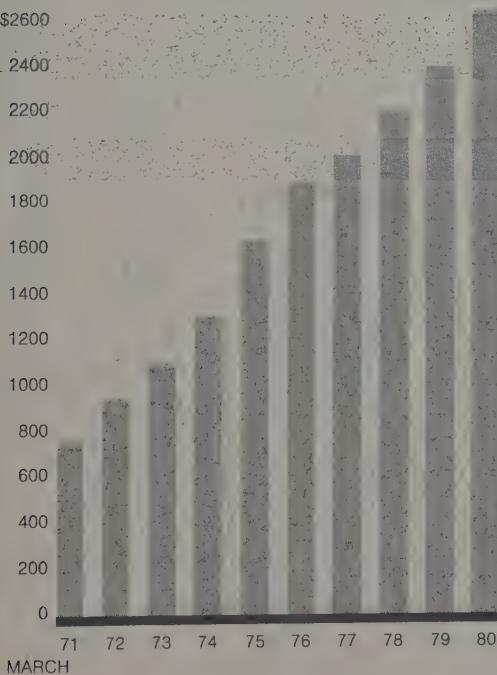
ering the fiscal year ended March 22, 1980 are presented in this report in accordance with the requirements of these Accounting Recommendations.

Now under study by the Research Committee of the Canadian Institute of Chartered Accountants are proposals to include supplementary statements to adjust the traditional historic cost statements for price changes caused by inflation. Your Company is following these developments closely and with great interest.

In May, 1979 your Company increased its interest in General Bakeries Limited to 56.48% of the outstanding shares. As a result, the financial statements of General Bakeries Limited are now consolidated for reporting purposes. In prior years the investment in General Bakeries was accounted for by the equity method of accounting.

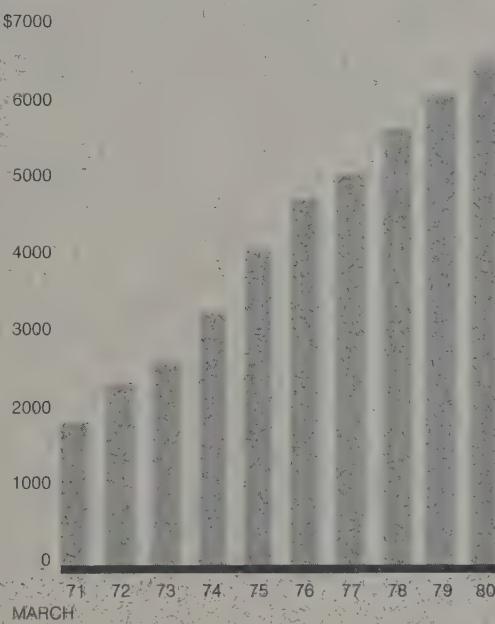
Sales

Sales in Millions



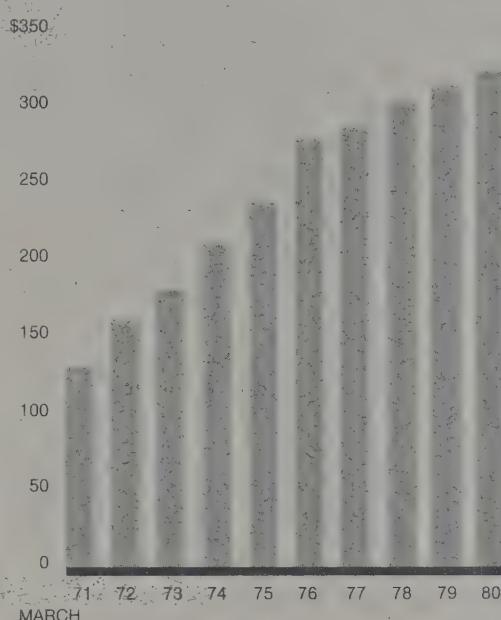
Sales in the 1980 fiscal year benefited from the fact that the year contained 53 weeks instead of the usual 52 weeks. Sales in the 53 weeks ended March 22, 1980 amounted to \$2,663,857,000 compared with \$2,405,385,000 in the 52 week period ended March 17, 1979. This was an increase of \$258,472,000 or 10.75% and was a new high record in the Canadian food retailing industry.

Average Annual Sales per Store (000)



Productivity per individual store is an important factor in your Company's sales achievement and is one measurement of operational efficiency. Average annual sales per supermarket in the year amounted to \$6,532,000 or \$125,600 per week and annual sales per square foot of ground floor area increased to \$323, on a 52 week comparison.

Annual Sales per Square Foot of Ground Floor Area



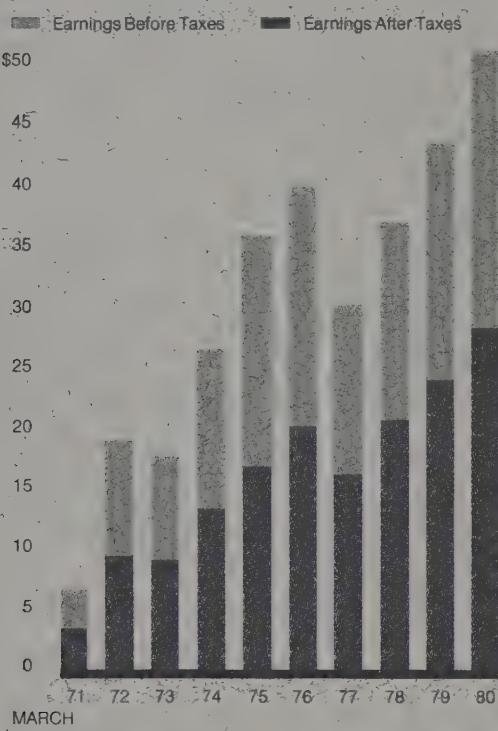
Earnings

Net earnings in the 53 weeks amounted to \$27,281,000 compared with \$24,077,000 in the 52 weeks of last year. Net earnings also benefited from the fact that the year contained 53 weeks. A 53 week year occurs only once every five or six years and tends to complicate year-to-year comparisons. Fixed costs are charged to operations over a 52 week period, thus the extra week provides a contribution which does not recur in normal years.

Net earnings amounted to \$3.18 per share compared with \$2.81 per share last year.

The ratio of earnings of 1.02 cents per dollar of sales was just marginally higher than the one cent earned last year. This continues to be too low a level of earnings. The need for substantial funds for investment in new and continuing retail and distribution facilities is an ongoing one.

Earnings in Millions



Financial Resources

Working Capital at March 22, 1980 was \$66,877,000 and the ratio of current assets to current liabilities was 1.41 to 1. The 9 1/2% Series E, \$25,000,000 Debenture Issue matured on March 1st. The repayment was financed through internally generated funds and through the facilities of the short-term commercial paper market.

Planning and Development

Eleven new supermarkets were opened in the fiscal year, three were enlarged and eleven were modernized and brought up to new store standards.

The new stores are located in Windsor, London, Stoney Creek (Hamilton), Toronto, Orleans (Ottawa), Ontario, Gatineau, Quebec, Douglastown (Newcastle), New Brunswick; two stores in Halifax, Nova Scotia; and in Gander and Marystow, Newfoundland.

In addition significant remodelling and improvement occurred in twenty-five other stores. Almost 400,000 square feet of new retail space was added in the year. Ten stores were closed and at March 22, 1980 there were 377 supermarkets in operation, with 7,638,345 square feet of ground floor area.

The new Winnipeg distribution centre, which began operations on August 30, 1979 has made a significant contribution to the Western Canada operations.

Progress continued in the development of the Company's subsidiary operations. One Safeguard drug store, four self-serve gasoline bars, seven Min-A-Mart convenience stores and five "limited line" stores were opened.

In the current fiscal year we expect that eleven new, large supermarkets will open and eight stores which are presently operating will be enlarged and modernized. More than 450,000 square feet of retail space will be added and the Company's continuing programme of modernizing will result in a number of other stores being refurbished.

Expansion of the Halifax Distribution Centre is now underway and this will double its size. The enlarged facility will be in operation in the Fall of 1980 and this is a significant move in the expansion of your Company's distribution capabilities in Nova Scotia.

The Company's Head Office facilities in Toronto are being expanded and this will include completely new quarters for our growing Systems and Computer Department, which has outgrown its present space.

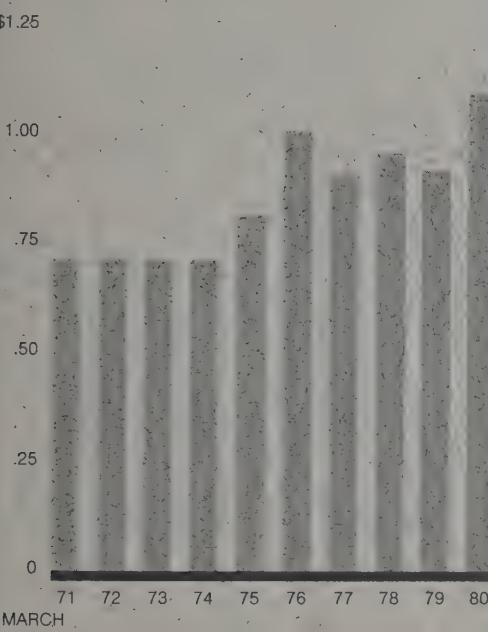
Customer response to the subsidiary operations has indicated their further development in the current year.

Capital expenditures in the year ended March 22, 1980 were \$49,549,652 and are expected to equal or perhaps exceed this in the current fiscal year.

Shareholders

Dividends to shareholders totalled \$9,419,000 and amounted to \$1.10 per share. Regular dividends of 25¢ per share were paid on June 15th, September 14th and December 14th, 1979 and on March 14th, 1980. A special extra dividend of 10¢ per share was also paid on September 14th, 1979.

Dividends per share



The Annual Meeting of Shareholders will be held in the Canadian Room of the Royal York Hotel, 100 Front Street, West, Toronto on Thursday, June 26, 1980 at 11:00 a.m. Toronto time.

Directors

At the Annual Meeting of Shareholders on August 9, 1979 Mr. Allen C. Jackson, President and Chief Operating Officer, Mr. Glen W. Davis and Mr. Ronald T. Riley were elected to the Board of Directors. Mr. Davis is President of N. M. Davis Corporation Ltd. and Mr. Riley is Vice-President, Administration, of Canadian Pacific Limited.

Three long service directors, Mr. Stewart G. Bennett, Mr. A. Bruce Matthews and Mr. Thomas G. McCormack, did not stand for re-election at the last Annual Meeting. In recognition of their distinguished service over many years your Board of Directors was pleased to appoint them as Honorary Directors of the Company.

Your Board of Directors is also pleased to appoint Mr. Gordon A. Sinclair as an Honorary Director. Mr. Sinclair, well-known radio and television personality, has been a part of Dominion's advertising commercials for many years and is a shareholder of the Company.

Your Board is happy to recognize this long and pleasant association with this appointment.

In Appreciation

Your Directors wish to express their gratitude and appreciation to all of the employees of the Company for their positive contribution to the year's achievements.

The support of our customers, our suppliers, our landlords and our shareholders is vital to the success of the business and we express our appreciation to them.

For the Board of Directors

G. Montagu Black
Chairman of the Board

Allen C. Jackson
President and
Chief Operating Officer

Consolidated Statement of Earnings

Sales	\$2,663,857	\$2,405,385
COST OF GOODS SOLD AND EXPENSES EXCEPT THOSE SHOWN BELOW	2,181,888	2,006,570
Employees' salaries and benefits	379,203	313,192
Depreciation and amortization	23,853	19,434
Municipal taxes	18,173	15,702
Interest on long-term debt	10,144	9,088
Other interest	984	260
Investment income	(1,769)	(2,562)
	2,612,476	2,361,684
Earnings before taxes on income	51,381	43,701
Taxes on income	22,788	19,158
Earnings before minority interests	28,593	24,543
Minority interests	1,312	466
Net earnings for the year	\$ 27,281	\$ 24,077
Earnings per share	\$ 3.18	\$ 2.81

Consolidated Statement of Reinvested Earnings

Reinvested earnings—beginning of year	\$ 138,351	\$ 122,140
Net earnings for the year	27,281	24,077
Dividends	(9,419)	(7,866)
Reinvested earnings—end of year	\$ 156,213	\$ 138,351

Consolidated Statement of Changes in Financial Position

Source of Funds

Net earnings for the year	\$27,281	\$24,077
Charges not requiring cash outlay—		
Add: Depreciation and amortization	23,853	19,434
Deferred income taxes	5,326	2,995
Minority interests	1,312	466
Amortization of debenture discount	56	56
Decrease in investment in an affiliated company	—	47
	57,828	47,075
Less: Gain on disposal of fixed assets	150	224
Funds generated from operations	57,678	46,851
Present value of obligations under capital leases	14,446	—
Increase (decrease) in long-term debt	792	(1,222)
Proceeds from disposal of fixed assets	475	1,227
Proceeds from shares issued under the stock option plan (note 5)	112	452
Investment in a subsidiary (note 7)—		
Working capital acquired	668	—
Purchase consideration	(621)	—
	\$73,550	\$47,308

Use of Funds

Investment in fixed assets	\$49,550	\$41,124
Investment in property under capital leases	14,923	—
Dividends	9,419	7,866
Dividends to minority interests	137	—
Increase in mortgages and other investments	213	220
Transfer to current liabilities— current portion of long-term debt	—	25,000
	74,242	74,210
DECREASE IN WORKING CAPITAL	692	26,902
WORKING CAPITAL—BEGINNING OF YEAR	67,569	94,471
WORKING CAPITAL—END OF YEAR	\$66,877	\$67,569

Consolidated Balance Sheet

as at March 22, 1980

March 22, 1980

March 17, 1979

(in thousands of dollars)

Assets

CURRENT ASSETS

Cash	\$ 1,992	\$ 8,692
Short-term investments, at cost	3,400	14,000
Accounts receivable	19,602	12,948
Mortgages receivable	39	726
Merchandise	199,079	175,145
Prepaid expenses	3,517	2,688
Deferred income taxes	21	167
	227,650	214,366

MORTGAGES AND OTHER INVESTMENTS—at cost	1,235	504
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INVESTMENT IN AN AFFILIATED COMPANY (note 7)	—	3,662
--	---	-------

FIXED ASSETS (note 4)

Store, warehouse and office equipment	261,950	225,258
Buildings and leasehold improvements	86,858	71,957
	348,808	297,215
Less: Accumulated depreciation	159,838	139,641
	188,970	157,574
Land	20,812	14,950
Assets under capital leases at cost less amortization of \$464,000	14,459	—
	224,241	172,524
UNAMORTIZED DEBENTURE DISCOUNT	975	1,031
	\$454,101	\$392,087

March 22, 1980 March 17, 1979
 (in thousands of dollars)

Liabilities

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$124,246	\$109,875
Promissory notes and accrued interest	21,958	
Income and sundry taxes	14,341	10,750
Current portion of long-term debt	228	26,172
	160,773	146,797
DEFERRED INCOME TAXES	22,365	15,755
LONG-TERM DEBT (notes 3 & 4)	86,073	67,335
MINORITY INTERESTS	6,599	1,883
	275,810	231,770

Shareholders' Equity

CAPITAL STOCK (note 5)

Issued and fully paid—

8,565,331 common shares (1979—8,557,731 shares)	22,078	21,966
REINVESTED EARNINGS	156,213	138,351
	178,291	160,317
	\$454,101	\$392,087

Signed on behalf of the Board

G. MONTEGU BLACK, *Director*

T. G. BOLTON, *Director*

Notes to Consolidated Financial Statements

1. Accounting Policies

(a) Principles of consolidation

The accompanying financial statements consolidate the accounts of Dominion Stores Limited and all its subsidiaries.

(b) Merchandise

Merchandise is located at both stores and warehouses. These inventories have been valued at the lower of cost and market. The term "market" as it applies to store inventories means "net realizable value" and, to warehouse inventories "replacement cost" or "net realizable value", as appropriate.

(c) Fixed Assets

The cost of fixed assets (including significant renewals and betterments) is capitalized at cost. Provisions for depreciation are determined on a straight-line basis over the estimated useful lives of the assets as follows:

Store, warehouse and office equipment 3 to 10 years
Buildings 40 years
Leasehold improvements term of lease

(d) Leases

Leases entered into subsequent to March 17, 1979, that transfer substantially all of the benefits and risks incident to the ownership of property are classified as capital leases. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the assets as described in 1(c) or over the lease term, as appropriate. Obligations under capital leases are reduced by rental payments net of imputed interest and executory costs. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

(e) Amortization of debenture discount

The debenture discount is amortized over the term of the issue.

2. Change in Accounting

In the year ended March 22, 1980, the Company adopted the recommendation of the Canadian Institute of Chartered Accountants related to accounting for leases. As a result of this change in accounting, net investment in assets under capital leases of \$14,459,000, related current and non-current obligations of \$209,000 and \$14,446,000 respectively and deferred income taxes of \$173,000 have been recorded in the accounts, and net earnings for the year was decreased by \$175,000. This change in accounting has not been applied on a retroactive basis (note 4).

3. Long-Term Debt

March 22, March 17,

1980 1979

(in thousands of dollars)

Redeemable sinking fund debentures—		
9 1/4% Series "D" maturing December 1, 1990	15,384	17,692
9 3/4% Series "F" maturing July 15, 1997	50,000	50,000
9 1/2% Series "E" debentures maturing March 1, 1980	—	25,000
Non-interest bearing note, mortgages payable, promissory notes and bank loan bearing interest at rates from 6 3/4% to the bank prime lending rate	6,262	815
Present value of obligations under capital leases bearing interest at a weighted average rate of 12%, due from 1980 to 2004	14,655	—
	86,301	93,507
Deduct: Current portion included in current liabilities	228	26,172
	86,073	67,335

The principal amounts payable, other than for obligations under capital leases (note 4), in the next five fiscal years are:

(in thousands of dollars)

Fiscal years ending March 1981	19	—
1982	6,668	—
1983	1,174	—
1984	3,424	—
1985	3,424	—

4. Leases and Commitments

Future minimum payments under capital and operating leases are as follows:

	Capital Leases	Operating Leases
	(in thousands of dollars)	
Fiscal years ending	\$	\$
March 1981	1,963	33,070
1982	1,963	32,285
1983	1,963	31,661
1984	1,963	30,819
1985	1,962	29,363
Subsequent	31,432	323,594
Total future minimum lease payments	41,246	480,792
Less: Imputed interest and executory costs	(26,591)	—
Present value of obligations under capital leases	14,655	—

Certain leases contain an option to cancel. Should the Company exercise these options, it could be required to purchase the related properties.

The recommendations of the Canadian Institute of Chartered Accountants have not been applied on a retroactive basis to those leases in existence on March 17, 1979. As a result, leases in existence on March 17, 1979, which meet the definition of a capital lease have been accounted for as operating leases. Had the accounting principle been applied retroactively, net investment in assets under capital leases of \$105,128,000 and related lease obligations of \$134,860,000 would have been recorded in the balance sheet; and net earnings for the current year would have been reduced by \$904,000.

5. Capital Stock

Effective March 17, 1980 the Company was continued under the Canada Business Corporations Act. The previously authorized 20,000,000 common shares without nominal or par value were replaced by an unlimited number of common shares and preference shares without nominal or par value.

Pursuant to an employees' stock option plan which expires on November 22, 1983, 72,698 unissued common shares at a price of \$14.74 per share are reserved. The exercise of these options would have no material effect on the reported earnings per share. During the year 7,600 shares were issued for cash of \$112,024 upon exercise of stock options granted.

6. Pension Plans

Based on the most recent actuarial reports, the estimated past service unfunded pension liability amounted to approximately \$4,110,000 at January 1, 1980. This liability is being funded and charged to operations over nine years and ten months by means of annual payments of approximately \$541,000.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Dominion Stores Limited as at March 22, 1980 and the consolidated statements of earnings, reinvested earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

145 King St., West
Toronto, Ontario
April 16, 1980.

7. Acquisition

Effective March 18, 1979, the Company increased its investment in Général Bakeries Limited, a manufacturer and distributor of Bakery products in Ontario, Quebec and the Atlantic Provinces, from 45.44% to 56.48% for a cash consideration of \$621,000. Previously the Company accounted for its investment by the equity method. The accounts of the subsidiary have now been consolidated with those of the Company by the purchase method. The net assets of General Bakeries Limited acquired, as at the effective date of acquisition, were as follows:

	(in thousands of dollars)
Working capital	\$ 668
Other assets	11,998
Long-term debt	(3,500)
Deferred income taxes	(1,284)
Minority interest	(3,541)
	<u>4,341</u>
Company's proportion of undistributed earnings to March 18, 1979	(1,616)
Accumulated cost of investment	<u>2,725</u>

8. Class of Business

In a meeting of the Board of Directors it was determined, and recorded in the minutes, that all of the Company's operations are conducted in Canada, substantially in the retailing industry, primarily food distribution and other related products.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 22, 1980 and the results of its operations and the changes in its financial position for the fiscal year then ended in accordance with generally accepted accounting principles which, except for the method of accounting for leases referred to in note 2 to the consolidated financial statements, have been applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
CHARTERED ACCOUNTANTS

Ten Year Financial Summary

(dollars in millions)

As at fiscal year ended March:

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Total Assets	\$454.1	\$392.1	\$349.4	\$282.4	\$262.9	\$240.8	\$197.5	\$168.9	\$165.5	\$157.0
Current Assets	\$227.7	\$214.4	\$192.5	\$142.3	\$136.7	\$126.6	\$ 94.5	\$ 76.7	\$ 76.2	\$ 69.1
Current Liabilities	160.8	146.8	98.0	94.2	84.4	73.1	66.6	44.7	46.1	42.0
Working Capital	\$ 66.9	\$ 67.6	\$ 94.5	\$ 48.1	\$ 52.3	\$ 53.5	\$ 27.9	\$ 32.0	\$ 30.1	\$ 27.1
Working Capital Ratio	1.4	1.5	2.0	1.5	1.6	1.7	1.4	1.7	1.7	1.6
Other Assets	\$ 2.2	\$ 5.2	\$ 5.1	\$ 3.8	\$ 4.3	\$ 3.7	\$ 3.4	\$ 3.8	\$ 3.9	\$ 3.8
Net Fixed Assets	224.2	172.5	151.8	136.3	121.9	110.5	99.6	88.4	85.4	84.1
Deferred Income Taxes	22.3	15.8	12.7	11.4	9.5	8.5	7.6	7.4	7.2	6.3
Minority Interests	6.6	1.9	1.4	1.2	1.0	.8	—	—	—	—
Long-Term Debt (excludes current portion)	86.1	67.3	93.6	44.7	45.6	47.9	25.3	26.3	26.7	28.2
Shareholders' Equity	\$178.3	\$160.3	\$143.7	\$130.9	\$122.4	\$110.5	\$ 98.0	\$ 90.5	\$ 85.5	\$ 80.5

Accounted for as follows—

Capital Stock	\$ 22.1	\$ 22.0	\$ 21.5	\$ 21.4	\$ 21.4	\$ 21.3	\$ 18.9	\$ 18.7	\$ 17.0	\$ 15.8
Reinvested Earnings	\$156.2	\$138.3	\$122.2	\$109.5	\$101.0	\$ 89.2	\$ 79.1	\$ 71.8	\$ 68.5	\$ 64.7
Number of Shares Outstanding (000 Omitted)	8,565	8,558	8,526	8,517	8,514	8,510	8,319	8,308	8,174	8,078
Number of Shareholders	5,884	6,561	7,037	7,315	7,495	7,797	8,474	9,191	10,518	11,748
Capital Expenditures	\$ 49.6	\$ 41.1	\$ 36.3	\$ 30.9	\$ 26.8	\$ 25.8	\$ 24.4	\$ 13.8	\$ 14.5	\$ 16.3

Ten Year Statement of Earnings

(dollars in millions)

For the fiscal year ended March:	1980*	1979	1978	1977	1976	1975	1974*	1973	1972	1971
Sales	\$2,663.9	\$2,405.4	\$2,215.8	\$2,026.5	\$1,914.0	\$1,649.5	\$1,320.7	\$1,112.2	\$ 953.7	\$ 768.5
Cost of Goods Sold and Expenses										
Cost of goods sold and expenses except those shown below	\$2,181.9	\$2,006.6	\$1,854.0	\$1,707.6	\$1,612.1	\$1,387.7	\$1,111.0	\$ 933.6	\$ 801.1	\$ 644.0
Employees' salaries and benefits	379.2	313.2	286.8	256.2	233.4	200.5	161.7	140.7	115.0	101.1
Depreciation and amortization	23.9	19.4	17.5	15.6	14.7	12.3	10.8	10.1	9.4	8.6
Municipal taxes	18.2	15.7	14.6	12.6	11.0	8.9	7.9	7.8	6.8	6.4
Interest on long-term debt	10.1	9.1	7.6	4.5	4.6	2.4	2.3	2.3	2.4	1.0
Other interest	1.0	.3	.3	.5	.2	2.0	.6	.2	.2	1.0
Investment income	1.8	2.6	2.4	.9	2.4	.6	.4	.3	.3	.3
	\$2,612.5	\$2,361.7	\$2,178.4	\$1,996.1	\$1,873.6	\$1,613.2	\$1,293.9	\$1,094.4	\$ 934.6	\$ 761.8
Earnings Before Taxes on Income										
Per dollar of sales	\$ 51.4	\$ 43.7	\$ 37.4	\$ 30.4	\$ 40.4	\$ 36.3	\$ 26.8	\$ 17.8	\$ 19.1	\$ 6.7
	1.93¢	1.82¢	1.69¢	1.50¢	2.10¢	2.20¢	2.03¢	1.60¢	2.00¢	.87¢
Taxes on Income	\$ 22.8	\$ 19.1	\$ 16.3	\$ 14.1	\$ 19.7	\$ 19.2	\$ 13.5	\$ 8.5	\$ 9.5	\$ 3.4
Per dollar of sales	.86¢	.80¢	.74¢	.70¢	1.03¢	1.16¢	1.02¢	.76¢	1.00¢	.44¢
Minority Interests	\$ 1.3	\$.5	\$.3	\$.1	\$.3	\$.1	—	—	—	—
Per dollar of sales	.05¢	.02¢	.01¢	—	.01¢	.01¢	—	—	—	—
Net Earnings	\$ 27.3	\$ 24.1	\$ 20.8	\$ 16.2	\$ 20.4	\$ 17.0	\$ 13.3	\$ 9.3	\$ 9.6	\$ 3.3
Per dollar of sales	1.02¢	1.00¢	.94¢	.80¢	1.06¢	1.03¢	1.01¢	.84¢	1.00¢	.43¢
Per share	\$ 3.18	\$ 2.81	\$ 2.44	\$ 1.90	\$ 2.40	\$ 2.02	\$ 1.60	\$ 1.12	\$ 1.18	.41
Dividends	\$ 9.4	\$ 7.9	\$ 8.2	\$ 7.8	\$ 8.6	\$ 6.9	\$ 5.9	\$ 5.9	\$ 5.8	\$ 5.8
Per share	\$ 1.10	\$.92	\$.96	\$.91	\$ 1.01	\$.82	\$.72	\$.72	\$.72	.72
Number of Employees										
—full time	12,591	12,573	12,324	11,976	11,974	11,907	11,054	11,194	10,498	10,381
—part time	12,561	13,132	13,168	12,654	12,844	12,844	11,580	11,319	10,684	10,230
	25,152	25,705	25,492	24,630	24,818	24,751	22,634	22,513	21,182	20,611

Stores Opened	11	10	12	8	10	13	12	4	19	18
Stores Closed	10	13	10	18	14	16	19	6	13	19
Stores at Year End	377	376	379	377	387	391	394	401	403	397
Ground Floor Area in Square Feet (000)	7,638	7,410	7,241	6,918	6,790	6,518	6,254	6,060	5,990	5,730

*53 Weeks

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Board of Directors

DOMINION STORES LIMITED
Incorporated under the laws of Canada

Head Office:
605 Rogers Road, Toronto, Ontario
M6M 1B9 (416) 652-2000

District Offices:

St. John's, Nfld.
Halifax, N.S.
Saint John, N.B.
Quebec, Que.
Montreal, Que.
Ottawa, Ont.
Toronto, Ont.
Hamilton, Ont.
Windsor, Ont.
Sudbury, Ont.
Winnipeg, Man.

G. MONTEGU BLACK

*Chairman of the Board and
Chairman of the Executive Committee—
Dominion Stores Limited*
*President and Chief Executive Officer—
Argus Corporation Limited*
*Chairman of the Board—
Standard Broadcasting Corporation Limited*

THOMAS G. BOLTON

*Deputy Chairman and Chief Executive Officer—
Dominion Stores Limited*
*Director—
Argus Corporation Limited*

ALLEN C. JACKSON

*President and Chief Operating Officer—
Dominion Stores Limited*
LEWIS H. M. AYRE
*Chairman of the Board—
Ayre and Sons Limited
Job Brothers & Co. Ltd.
The Newfoundland Telephone Co. Ltd.*
*Director—
The Bank of Nova Scotia*

CONRAD M. BLACK

*Vice-Chairman and Chairman
of Executive Committee—
Hollinger Argus Limited*
*Chairman of the Board and
Chairman of the Executive Committee—
Argus Corporation Limited*
*Chairman of Executive Committee—
Massey-Ferguson Limited*
*Member of Executive Committee and Director—
Canadian Imperial Bank of Commerce
Standard Broadcasting Corporation*
*Director—
Carling O'Keefe Limited
Confederation Life Insurance Company
Eaton's of Canada Limited*

DIXON S. CHANT

*Executive Vice-President and
Member of the Executive Committee—
Hollinger Argus Limited*
Argus Corporation Limited
Labrador Mining & Exploration Co. Ltd.
*Director and Chairman of Executive Committee—
Standard Broadcasting Corporation Limited*
*Director and Member of Executive Committee—
Crown Trust Company*
Dominion Stores Limited
General Bakeries Limited
Massey-Ferguson Limited
*Chairman of the Board and
Chairman of Executive Committee—
VS Services Ltd.*
*Director and Member of Investment Committee—
Fireman's Fund Insurance Co.*

PIERRE P. DAIGLE

*Vice-President—
Harold Cummings Ltd.—Leasing Division*
*Director—
Confederation Life Insurance Company
Goodyear Canada Inc.
Hilton Canada Limited
International Paints (Canada) Limited
Warner-Lambert Canada Limited
Standard Broadcasting Corporation Limited*

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*Director—
Hollinger Argus Limited
OPI Limited*

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Atlantic Trust Company*
*Director—
Atlantic Television Ltd.
Maritime Telephone and Telegraph Co. Limited*

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McKeag Realty Ltd.*
*Director—
The Investors Group
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Canadian Motorways Ltd.
Greater Winnipeg Gas Co.
Greater Winnipeg Cablevision Ltd.*

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Létourneau & Stein*
*Director—
Canadian Imperial Bank of Commerce
IBM Canada Limited
Noranda Mines Limited
Canada Cement Lafarge Limited*

BERYL A. PLUMPTRE

*Director—
The Canada Life Assurance Company
Canada Permanent Mortgage Corporation
Canada Permanent Trust Company
The Consumers' Gas Company*

RONALD T. RILEY

*Vice-President, Administration—
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*Director—
Argus Corporation Limited
Canadian Pacific Transport Company Limited
CanPac International Freight Services Inc.
Chateau Insurance Company
Hollinger Argus Limited*

TRUMBULL WARREN

*Chairman of the Board—
Rheem Canada Limited
Phoenix Assurance Company of Canada
Acadia Life Assurance Company*
*Director—
Argus Corporation Limited
Massey-Ferguson Limited
General Bakeries Limited
Hendrie & Co. Limited
Hamilton Advisory Board—
Royal Trust Company*

8. Dominion installs the latest in electronic check-outs providing efficient service to this Halifax customer.

8. A Montreal manager advising a cashier on Dominion's money-saving weekly specials.

9. Our "Deli" Departments offer a delightful "Definite Difference" with imported cheeses from around the world.

10. Quality produce demands the careful handling exhibited by this Ottawa employee.

11. A Halifax manager admires his fresh fruit and vegetable department.

12. Clear aisles and good cart organization contribute to enjoyable shopping at Dominion.



Dominion's management team is proud of its support staff. After all, most of them rose through the system to become what they are today. When an employee knows the workings of an enterprise from the inside out, he or she invariably knows the best way that it can be improved. Dominion's policy of promoting from within opens a route to advancement and is available to any employee with the ambition and desire to grow in his or her work.

Traditionally, Dominion employees have demonstrated loyalty to their Company. A firm indication of that loyalty is the membership in our Quarter Century Club, which numbers more than 850 employees with a collective accumulation of more than 24,000 years of service to the Company and our customers.

Dominion has come a long way in the past 60 years. And we have an enormously challenging job to do in the future. As times change, so do buying trends and it is our job to assess and harmonize with those trends. We will persist with our commitment to maintain the lowest possible prices for our customers and—with the support of our employee team—it will continue to help us maintain our position as Canada's largest retail food distributor.

Our behind the scenes staff help to maintain Dominion's reputation as Canada's largest food retailer.



1. Accounting personnel at Dominion's head office in Toronto keep track of thousands of records daily.

2. This modern, efficient distribution centre in Winnipeg is the assembly point for thousands of items on their way to our stores.

3. Truck-trailer units displaying Dominion's well-known logo are a vital link in moving merchandise to market.



3

Dominion's "front line" team wouldn't be able to function efficiently without Dominion's support staff—the computer programmers and operators, the truck drivers, the distribution staff, the meat and produce buyers, the home economists, the accounting staff and hundreds of other employees who are not as visible to the public but whose contribution to the success of the Company is every bit as vital.

Every year Dominion purchases, distributes and markets an enormous amount of quality food and related products. In this past year, as an example, the dollar value of our sales reached a new high of \$2.6 billion. Without the skill and devotion of the support staff mentioned above, this degree of success just would not have been possible.

Some examples: Our truck drivers are a vital link in the movement of product to market; hundreds of distribution centre employees who keep tabs on tens of thousands of items and ensure they make their way to store shelves on schedule; and the staff in our accounting departments, who keep careful track of the flow of income and disbursements that every year involve millions of transactions.

At the retail level, the customer sees the wide variety of meats and produce, the enormous selection of canned and other goods and the impressive lineup of dairy and frozen products as he or she travels the aisles of the store. Hundreds of people are essential in making this entire system work.

More than 3,000,000 customers pass through Dominion's doors every week. Invariably, they're met with a smile by our store staff, and that's an important factor in having them come back again. Our behind-the-scenes team, if they had the opportunity, would offer the same courtesy and accommodation to Dominion's shoppers. For that, and for their exemplary work, they deserve hearty congratulations.

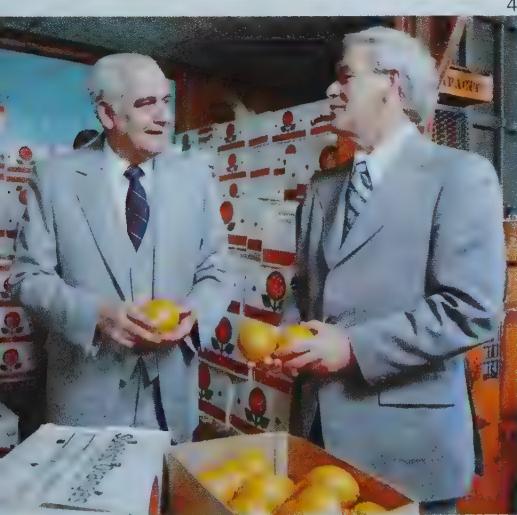
4. Frequent contact between Dominion's home economists and management helps management identify consumer perceptions of product use, quality, value and price.

5. Dominion's communications and information computer centre is the heart of the store ordering system.

6. Dominion's experienced buyers help our stores to provide the widest variety of quality produce throughout the year.

7. Quality-control technicians are continually testing our products in our laboratory.

8. At Dominion's Careers Centre, today's trainees take courses designed to help make shopping more efficient and convenient for our customers.



Dominion Stores provides a wide variety of quality products at the lowest prices possible.



1

1. Many customers prefer our ready to serve hot foods for quick convenience.
2. Dominion's private label products are accepted and trusted for quality and value.
3. Value-conscious shoppers enjoy the savings available in Dominion's White Label section.
4. Gourmet foods from around the world invite shoppers to discover new taste sensations in our International Section.

If you pause for a moment to think about it, the merchandise available to the Dominion shopper covers an enormous variety of products. Aisle after aisle of top-quality products—whether fine cuts from the meat counter or an array of paper products—provide our customers with the widest imaginable choice.

Dominion's own brands offer shoppers a viable alternative to nationally advertised brands. All products carrying the Dominion label stand for quality and value at an economical price.

The Company constantly works towards the development of new products for the consumer and innovates with new marketing methods to make the shopper aware of them. A pioneer in White Label or generic products, Dominion is continually adding to its lines to provide best value-for-money.

The Canadian consumer is turning more and more to the fruits of the sea for nutrition and lower-calorie meals. In keeping with this fact, a number of Dominion supermarkets feature a "Pier 19" department offering a wide selection of fresh and frozen seafood.

Dominion's insistence on quality and variety extends to the store's produce departments, which offer customers the widest variety of fresh fruits and vegetables from across Canada and around the world. Expert buyers help fulfill Dominion's dedication to providing the freshest and choicest of seasonal and year-round produce; and the store's produce manager makes certain that his section is one of the most attractive and appealing.

For years, Dominion shoppers have been attracted by, and have agreed with, our slogan that emphasizes: "It's Mainly Because of the Meat." The Company's highly-trained butchers work with the finest of meats, and trim them superbly, so that Dominion is able to live up to its promise of 100 per cent satisfaction for the customer.



2



3



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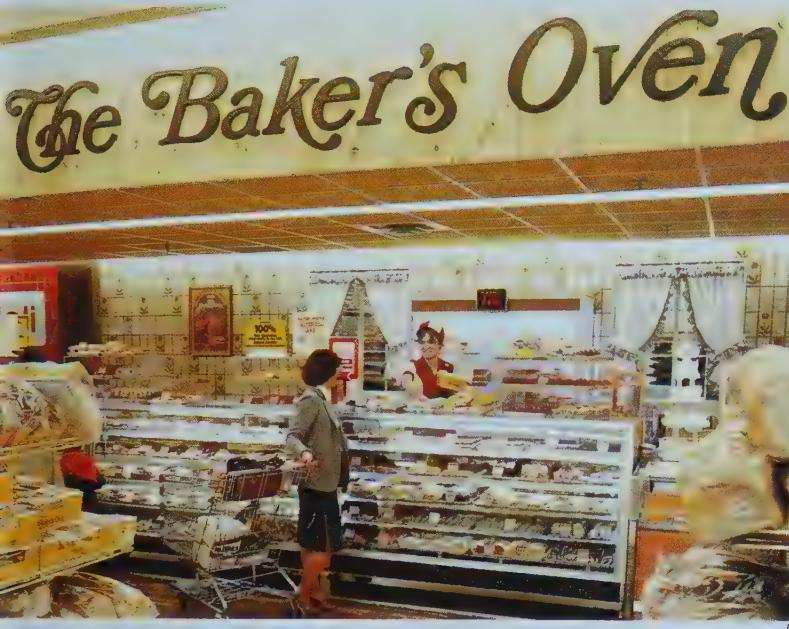
5. The fragrance of fresh-baked breads and cakes makes The Baker's Oven a popular area for shopping.

6. Customers expect and get top quality fruits and vegetables at Dominion.

7. Our Toronto Perishables Distribution Centre is temperature controlled to maintain the quality and freshness of our fruits, vegetables and dairy products.

8. Dominion's customers are offered a veritable cornucopia of fruits from Canadian and international growers.

9. Prime rib roasts and Dominion's own "Anniversary" roasts are chain-wide favorites—Another reason why "c'est surtout à cause de la viande".



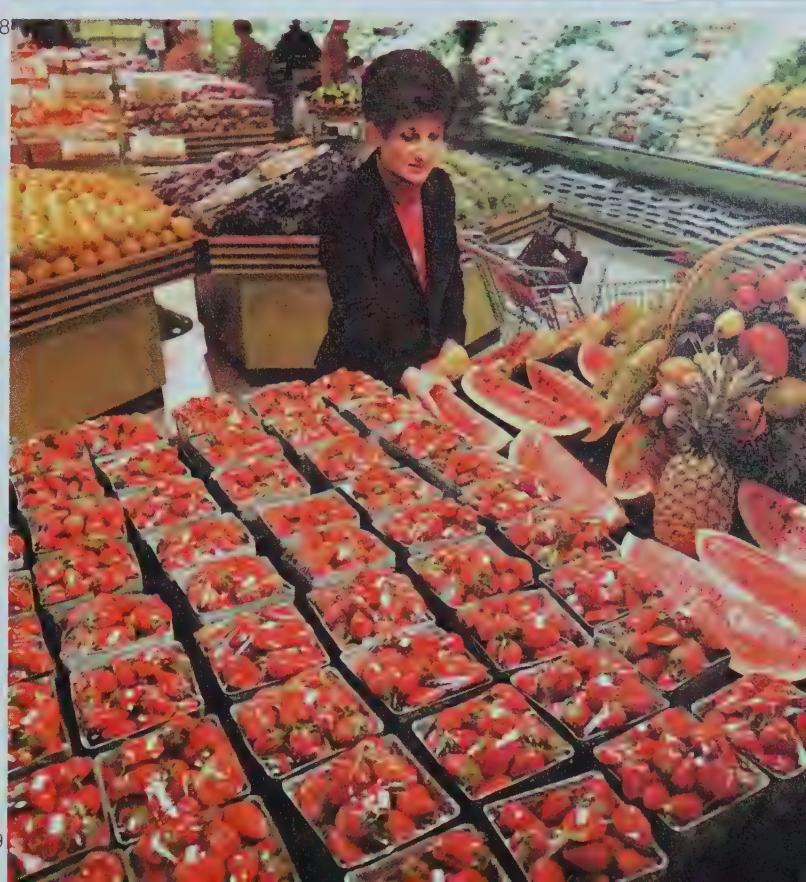
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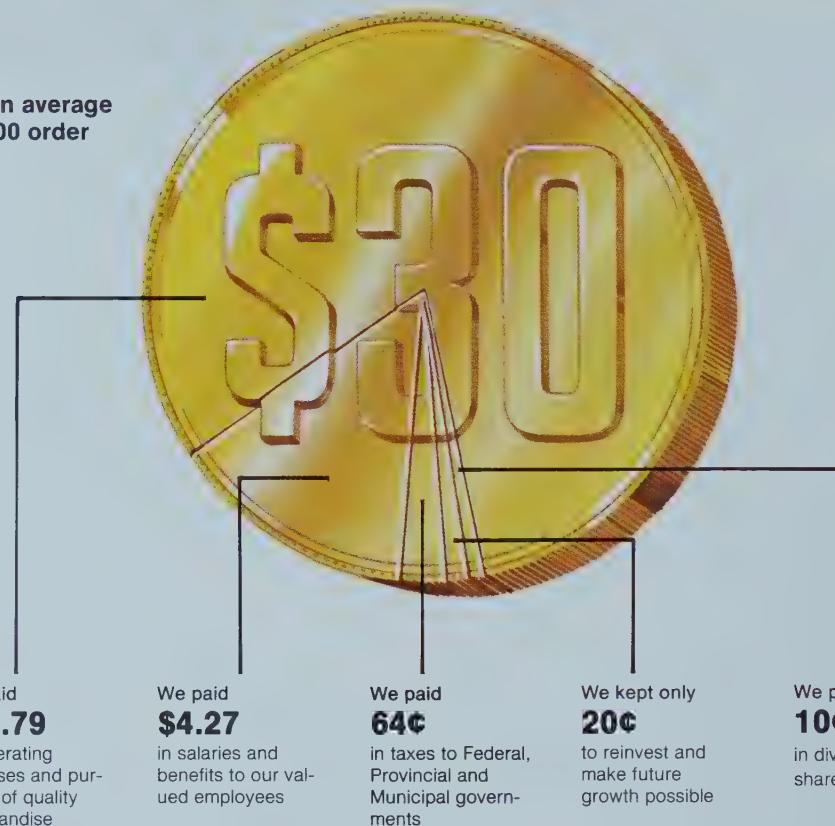
9

Employees Share in Corporate Development

Sales and productivity on the job are basic to our Company's ability to meet its financial obligations; to shareholders whose investment makes the Company possible; to employees and their families. Last fiscal year, Dominion sales reached a new record, in excess of \$2.6 billion—the best sales performance of any Canadian food retailer.

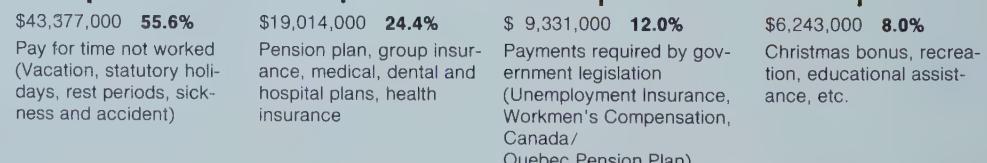
To help explain our performance to your families, the chart illustrates where the money goes on a typical \$30.00 order. We paid \$24.79 for operating expenses and the purchase of quality merchandise. Federal, Provincial and Municipal taxes accounted for 64¢. Salaries and benefits to employees were \$4.27. This left 30¢, out of which we paid 10¢ in dividends to shareholders and 20¢ for reinvestment and future growth of the Company.

On an average \$30.00 order



Employees enjoy Company Financial Benefits

Company-paid benefits, alone, increased to nearly \$78 million during the fiscal year of this report. These benefits were applied, as shown, on the chart. Clearly, the figures indicate that basic pay rates are only part of the total compensation and benefit package shared by Dominion employees and their families. The Company's aim is to provide a satisfactory standard of living for all employees and is demonstrated by \$43.3 million paid for vacations, statutory holidays, rest periods, sickness and accident: by more than \$19 million paid for the pension plan, group insurance, medical, dental and hospital plans, and health insurance. Unemployment Insurance, Workmen's Compensation and Canada/Quebec Pension Plan contributions exceeded \$9 million and approximately \$6.2 million was paid out in Christmas bonuses, recreational and educational assistance, etc.



The Aim of Dominion Stores Limited is to fulfill with ever-increasing efficiency its responsibility as a distributor of food, thereby performing a satisfactory service to the consumer, producer, manufacturer

and processor; to discharge its responsibility to shareholders whose investment makes the company possible, and to provide its employees with a satisfactory living under the best possible conditions.



**INTERIM
REPORT
FOR THE
26 WEEKS
ENDED
SEPTEMBER 20, 1980**



DOMINION STORES LIMITED

Toronto, Canada
M6M 1B9

October 31, 1980

To our Shareholders:

In the twenty-six weeks ended September 20, 1980, sales of Dominion Stores Limited amounted to \$1,346,139,000. This is an increase of \$75,484,000 or 5.94% over sales of \$1,270,655,000 in the twenty-six weeks ended September 15, 1979.

Net earnings in the half-year amounted to \$11,053,000, or \$1.29 per share. This compares with \$12,012,000, or \$1.40 per share, last year. Earnings per dollar of sales for the half-year were 82/100ths of a cent compared with 95/100ths of a cent a year ago.

A strike by unionized employees of the Toronto Distribution Centres began on August 10th and lasted for four weeks. A settlement was resolved and operations in the Centres resumed on September 7th. During the strike alternative supply sources enabled the two hundred stores which are normally serviced by these Centres to continue to operate with minimal inconvenience to their customers.

There was some cost in sales and earnings as a result of the strike and these costs are reflected in the second quarter operating results.

Documentation in connection with your Company's proposal to General Bakeries Limited that General Bakeries, now 56.5% owned by Dominion Stores, become a wholly-owned subsidiary is proceeding on schedule. Under this proposal public shareholders of General Bakeries Limited would receive two Dominion Stores common shares for three General Bakeries shares, or would have the option of electing to receive a cash payment of \$11.75 for each General Bakeries share.

In the twenty-six weeks four new supermarkets were opened, in Elliot Lake and Burlington, Ontario, in Bathurst, New Brunswick and Sydney, Nova Scotia. Two stores were enlarged and ten smaller stores were closed. In the same period six Min-A-Marts, two gasoline bars, one Safeguard drug store and one Safeguard pharmacy were opened. In addition eight limited line stores were opened in former Dominion Store premises in Ontario and Quebec. The expansion of the Halifax Distribution Centre to more than 200,000 square feet has been completed and the enlarged facility is now in operation.

HIGHLIGHTS (unaudited)

(dollars are in thousands)

	For the 13 weeks ended Sept. 20/80	Sept. 15/79	For the 26 weeks ended Sept. 20/80	Sept. 15/79
Sales	\$648,348	\$626,705	\$1,346,139	\$1,270,655
Per cent increase	3.45%	8.06%	5.94%	8.57%
Earnings before taxes	\$ 8,379	\$ 10,929	\$ 20,108	\$ 22,424
Taxes on income	3,439	4,927	8,503	10,065
Net earnings before minority interest	4,940	6,002	11,605	12,359
Less minority interest	231	152	552	347
Net earnings	\$ 4,709	\$ 5,850	\$ 11,053	\$ 12,012
Per dollar of sales	73/100ths of a cent	93/100ths of a cent	82/100ths of a cent	95/100ths of a cent
Per share	55¢	66¢	\$ 1.29	\$ 1.40
Dividends paid	\$ 2,998	\$ 2,997	\$ 5,139	\$ 5,137
Per share	35¢	35¢	60¢	60¢

STATEMENT OF SOURCE AND USE OF FUNDS
(thousands of dollars)

	For the 26 weeks ended Sept. 20/80	Sept. 15/79
Source of Funds		
Net earnings	\$ 11,053	\$ 12,012
Depreciation and amortization	12,754	10,783
Other	1,609	—
Minority interest	552	347
Disposal of fixed assets	294	(15)
Amortization of debenture discount	28	28
Long term debt increase	15	—
Income from investment in an affiliated Company	—	(402)
Shares issued under stock option plan	1	81
Decrease in mortgages and other investments	—	29
	26,306	22,863
Use of Funds		
Investment in fixed assets	18,791	15,318
Dividends paid	5,139	5,137
Acquisition of minority interest	2,275	—
Increase in mortgages and other investments	399	—
Increase in assets under capital leases	241	—
Long term debt reduction	—	937
Increase in investment in an affiliated company	—	621
	26,845	22,013
Working Capital		
Increase or (Decrease) in 26 weeks	(539)	850
Balance—beginning of the year	66,877	67,569
Balance—end of the half year	\$ 66,338	\$ 68,419

For the board of Directors

G. MONTEGU BLACK
Chairman of the Board

ALLEN C. JACKSON
President and
Chief Operating Officer

RAPPORT INTÉRIMAIRE POUR LES 26 SEMAINES TERMINÉES LE 20 SEPTEMBRE 1980

AR39



Les Supermarchés
Dominion Limitée
Toronto, Canada
M6M 1B9

Le 31 octobre 1980

Mesdames, Messieurs les actionnaires,

Pour les vingt-six semaines terminées le 20 septembre 1980, le chiffre d'affaires des Supermarchés Dominion Limitée atteint 1 346 139 000 \$. Cela représente une augmentation de 75 484 000 \$, soit 5,94 %, par rapport aux 1 270 655 000 \$ inscrits pour les vingt-six semaines arrêtées au 15 septembre 1979.

Pour le semestre, le bénéfice net totalise 11 053 000 \$, soit 1,29 \$ par action; à la même époque l'an dernier, il s'élevait à 12 012 000 \$ ou 1,40 \$ par action. Par dollar de chiffre d'affaires, le bénéfice du semestre s'établit à 82/100^e de cent contre 95/100^e de cent il y a un an.

Le 10 août, les employés syndiqués des centres de distribution de Toronto ont entamé une grève qui a duré quatre semaines. Une nouvelle convention a finalement été conclue, et le travail a repris le 7 septembre. Pendant toute la durée du conflit, les deux cents supermarchés que desservent normalement ces centres ont dû recourir à d'autres sources d'approvisionnement, mais dans l'ensemble, les clients n'ont subi que de légers désagréments.

Par contre, le chiffre d'affaires et le bénéfice ont souffert de cet arrêt de travail, comme le révèlent les résultats d'exploitation du deuxième trimestre.

Pour ce qui est de l'offre faite par la Compagnie aux Boulangeries Générales Limitée, tout se déroule comme prévu. En vertu de cette offre, qui ferait de cette filiale à 56,5 % de Dominion une filiale en propriété exclusive de la Compagnie, les actionnaires minoritaires des Boulangeries Générales Limitée pourraient soit échanger leurs actions contre des actions ordinaires de Dominion, selon un rapport de trois actions des Boulangeries Générales pour deux actions de Dominion, soit les céder au prix de 11,75 \$ l'unité.

Au cours des vingt-six semaines écoulées, la Compagnie a ouvert quatre nouveaux supermarchés, à Elliot Lake (Ont.), Burlington (Ont.), Bathurst (N.-B.) et Sidney (N.-É.). Elle a par ailleurs fermé dix établissements trop exigus et en a agrandi deux autres. Signalons également l'ouverture de six épiceries de dépannage Min-A-Mart, de deux postes d'essence à libre service, d'une pharmacie Safeguard et d'une pharmacie en supermarché. Enfin, au Québec et en Ontario, huit établissements à gammes limitées ont été créés pour exploiter l'espace laissé vacant par la fermeture de supermarchés. Les travaux d'agrandissement du centre de distribution de Halifax sont terminés. Cette installation, qui a maintenant plus de 200 000 pieds carrés, est de nouveau en exploitation.

PANORAMA (chiffres non vérifiés)

(en milliers de dollars)

	13 semaines arrêtées au 20 sept. 1980	15 sept. 1979	26 semaines arrêtées au 20 sept. 1980	15 sept. 1979
Chiffre d'affaires	648 348 \$	626 705 \$	1 346 139 \$	1 270 655 \$
Pourcentage d'augmentation	3,45 %	8,06 %	5,94 %	8,57 %
Bénéfice avant impôts	8 379 \$	10 929 \$	20 108 \$	22 424 \$
Impôts sur le revenu	3 439	4 927	8 503	10 065
Bénéfice avant quote- part des actionnaires minoritaires	4 940	6 002	11 605	12 359
Quote-part des action- naires minoritaires	231	152	552	347
Bénéfice net	4 709 \$	5 850 \$	11 053 \$	12 012 \$
Pour chaque dollar de chiffre d'affaires	73/100 ^e de cent	93/100 ^e de cent	82/100 ^e de cent	95/100 ^e de cent
Par action	55 ¢	68 ¢	1,29 \$	1,40 \$
Dividendes	2 998 \$	2 997 \$	5 139 \$	5 137 \$
Par action	35 ¢	35 ¢	60 ¢	60 ¢

ÉVOLUTION DE LA SITUATION FINANCIÈRE

(en milliers de dollars)

	26 semaines arrêtées au 20 sept. 1980	15 sept. 1979
Provenance des fonds		
Bénéfice net	11 053 \$	12 012 \$
Amortissement	12 754	10 783
Divers	1 609	—
Quote-part des actionnaires minoritaires	552	347
Aliénation d'immobilisations	294	(15)
Amortissement de l'escampe sur les débentures	28	28
Augmentation de la dette à long terme	15	—
Produit d'une participation dans une société affiliée	—	(402)
Actions émises en vertu du régime d'options d'achat d'actions	1	81
Diminution des prêts hypothécaires et des autres placements	—	29
Emploi des fonds	26 306	22 863
Nouvelles immobilisations	18 791	15 318
Dividendes	5 139	5 137
Acquisition d'une participation minoritaire	2 275	—
Augmentation des prêts hypothécaires et des autres placements	399	—
Valorisation des éléments d'actif détenus en vertu de contrats de location-acquisition	241	—
Diminution de la dette à long terme	—	937
Augmentation de la participation dans une société affiliée	—	621
Fonds de roulement	26 845	22 013
Augmentation (diminution) au cours des 26 semaines	(539)	850
Solde à l'ouverture de l'exercice	66 877	67 569
Solde à la clôture des 26 semaines	66 338 \$	68 419 \$

Pour le Conseil d'administration:

Le président

du Conseil,

G. MONTEGU BLACK

Le président et

chef de l'exploitation,

ALLEN C. JACKSON